

GUTHRIE COUNTY HOSPITAL
INDEPENDENT AUDITOR'S REPORT
FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION
YEARS ENDED JUNE 30, 2011 AND 2010

GUTHRIE COUNTY HOSPITAL

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GUTHRIE COUNTY HOSPITAL
Officials
June 30, 2011

<u>Board of Trustees:</u>	<u>Address</u>	<u>Term Expires</u>
Chris Schafer, Chairperson	Adair, Iowa	2016
Roberta Simmons, Vice-Chairperson	Panora, Iowa	2012
Peg Shroyer, Secretary	Panora, Iowa	2014
Jim Robson, Treasurer	Guthrie Center, Iowa	2012
Rodney Carr	Guthrie Center, Iowa	2014
Mary Sheeder	Guthrie Center, Iowa	2016
Gene Newell	Guthrie Center, Iowa	2016
 <u>Administrator:</u>		
Gerald Neal	Guthrie Center, Iowa	
 <u>Chief Financial Officer:</u>		
Melinda Alt	Audubon, Iowa	

Gronewold, Bell, Kyhnn & Co. P.C.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Guthrie County Hospital
Guthrie Center, Iowa

We have audited the accompanying balance sheets of Guthrie County Hospital as of June 30, 2011 and 2010, and the related statements of revenues, expenses and changes in net assets, and cash flows for the years then ended. These financial statements are the responsibility of the Hospital's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As explained in Note A, the operations of a component unit are excluded from these financial statements. In our opinion, accounting principles generally accepted in the United States of America require that such an entity be blended with these financial statements.

In our opinion, except for the effects of exclusion of a component unit required to be included as discussed in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of Guthrie County Hospital as of June 30, 2011 and 2010, and the results of its operations, changes in net assets, and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated September 21, 2011 on our consideration of Guthrie County Hospital's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and important for assessing the results of our audit.

To the Board of Trustees
Guthrie County Hospital

The management's discussion and analysis on pages 4 through 4g and the budgetary comparison schedule on page 21 are not a required part of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2009 (none of which are presented herein) and expressed qualified opinions on those financial statements. The supplementary information (shown on pages 22 through 38) including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Stonehill, Bill, Auditor - W. P. C.

Atlantic, Iowa
September 21, 2011

GUTHRIE COUNTY HOSPITAL Management's Discussion and Analysis

Our discussion and analysis of Guthrie County Hospital's financial performance provides an overview of the Hospital's financial activity for the fiscal years ended June 30, 2011 and 2010. We encourage readers to consider it in conjunction with the Hospital's financial statements, which follow.

FINANCIAL HIGHLIGHTS

The Hospital's total assets increased approximately \$2,650,000 during fiscal year 2011. Net assets, or total assets net of total liabilities, increased by approximately \$1,004,000 during fiscal 2011, an increase of approximately 11.4 percent.

The Hospital reported operating revenues for the year of \$11.9 million, an increase of approximately \$1,342,000 or 12.7 percent. Net revenues, or revenues after all expenditures, for 2011 were \$242,372, a decrease of \$470,532 from 2010.

The Hospital reported expenditures for the year of \$12.9 million, an increase of approximately \$1,851,000 or 16.7 percent.

USING THIS ANNUAL REPORT

The basic financial statements of the Hospital report information about the Hospital using Governmental Accounting Standards Board (GASB) accounting principles. The Hospital's financial statements consist of three statements - a Balance Sheet; a Statement of Revenues, Expenses and Changes in Net Assets; and a Statement of Cash Flows. These statements offer short-term and long-term financial information about its activities.

One of the most important questions asked about the Hospital's finances is, "Is the Hospital as a whole better or worse off as a result of the year's activities?" The Balance Sheet and the Statement of Revenues, Expenses and Changes in Net Assets; and the Statement of Cash Flows report information about the Hospital's resources and its activities in a way that helps answer this question. These statements include all restricted and unrestricted assets and all liabilities using the accrual basis of accounting. Therefore, all of the current year's revenues and expenses are taken into account regardless of when the cash is received or paid.

GUTHRIE COUNTY HOSPITAL
Management's Discussion and Analysis - Continued

The first two statements report the Hospital's net assets and changes in them. You can think of the Hospital's net assets - the difference between assets and liabilities - as one way to measure the Hospital's financial health, or financial position. Over time, increases or decreases in the Hospital's net assets are one indicator of whether its financial health is improving or deteriorating. You will need to consider other non-financial factors, however, to assess the overall health of the Hospital. Such non-financial factors could include changes in the Hospital's patient base, measures of the quality of service it provides to the community, and local economic factors, as well as changes in the health care industry, changes in Medicare and Medicaid regulations, and changes in managed care contracting.

The Balance Sheets include all of the Hospital's assets and liabilities and provide information about the nature and amounts of investments in resources (assets) and the obligations to Hospital creditors (liabilities). It also provides the basis for computing rate of return, evaluating the capital structure of the Hospital, and assessing the liquidity and financial flexibility of the Hospital.

All of the current year's revenues and expenses are accounted for in the Statements of Revenues, Expenses, and Changes in Net Assets. This statement measures improvements in the Hospital's operations over the past years and can be used to determine whether the Hospital has been able to recover all of its costs through its patient service revenue and other revenue sources.

The final required financial statement is the Statement of Cash Flows. This statement reports cash receipts, cash payments, and net changes in cash resulting from operations, investing, and financing activities. The primary purpose of this statement is to provide information about the Hospital's cash from operations, investing, and financing activities, and to provide answers to such questions as "Where did cash come from?", "What was cash used for?", and "What was the change in cash balance during the reporting period?"

These financial statements and related notes also provide information about the activities of the Hospital, including resources held by the Hospital but restricted for specific purposes by contributors, grantors, or enabling legislation.

GUTHRIE COUNTY HOSPITAL
Management's Discussion and Analysis - Continued

THE HOSPITAL'S NET ASSETS

The Hospital's net assets are the difference between its assets and liabilities reported in the Balance Sheet on page 5. The following table, Table 1, presents a summary of the Hospital's Balance Sheets.

Table 1
Condensed Balance Sheets

	<u>2011</u>	<u>2010</u>	<u>2009</u>
Assets:			
Current assets	\$ 5,707,376	\$ 3,834,335	\$ 4,541,475
Capital assets, net	11,070,142	10,326,982	8,135,860
Other noncurrent assets	<u>168,820</u>	<u>127,168</u>	<u>54,943</u>
Total assets	<u>\$ 16,946,338</u>	<u>\$ 14,288,485</u>	<u>\$ 12,732,278</u>
Liabilities:			
Current liabilities	\$ 3,108,513	\$ 3,044,653	\$ 2,950,190
Long-term debt	<u>3,997,500</u>	<u>2,407,500</u>	<u>1,817,500</u>
Total liabilities	<u>7,106,013</u>	<u>5,452,153</u>	<u>4,767,690</u>
Net Assets:			
Invested in capital assets, net of related debt	6,319,184	7,003,926	5,779,942
Restricted - expendable	242,931	242,210	80,556
Unrestricted	<u>3,278,210</u>	<u>1,590,196</u>	<u>2,104,090</u>
Total net assets	<u>9,840,325</u>	<u>8,836,332</u>	<u>7,964,588</u>
Total liabilities and net assets	<u>\$ 16,946,338</u>	<u>\$ 14,288,485</u>	<u>\$ 12,732,278</u>

A significant component of the change in the Hospital's assets is the investment in the new building and equipment. See related discussion in the CAPITAL ASSETS AND DEBT ADMINISTRATION section.

The most significant component of the change in the Hospital's liabilities was the increased borrowing from the 2009 Bond Issue. See related discussion in the CAPITAL ASSETS AND DEBT ADMINISTRATION section.

GUTHRIE COUNTY HOSPITAL
Management's Discussion and Analysis - Continued

OPERATING RESULTS AND CHANGES IN THE HOSPITAL'S NET ASSETS

The following table, Table 2, presents a summary of the Hospital's historical revenues and expenses for each of the fiscal years ended June 30, 2011, 2010, and 2009.

Table 2
Condensed Operating Results and Changes in Net Assets

	<u>2011</u>	<u>2010</u>	<u>2009</u>
Revenue:			
Net patient service revenue	\$ 11,690,655	\$ 10,355,628	\$ 9,189,319
Other revenue	<u>201,746</u>	<u>194,951</u>	<u>198,102</u>
Total revenue	<u>11,892,401</u>	<u>10,550,579</u>	<u>9,387,421</u>
Expenses:			
Salaries and benefits	8,033,594	7,396,404	6,593,106
Professional fees	588,830	385,456	642,935
Supplies, contract services, equipment & other operating expenses	<u>3,278,182</u>	<u>2,512,356</u>	<u>2,312,582</u>
Depreciation and amortization	<u>1,038,180</u>	<u>793,092</u>	<u>725,890</u>
Total expenses	<u>12,938,786</u>	<u>11,087,308</u>	<u>10,274,513</u>
Operating Loss	<u>(1,046,385)</u>	<u>(536,729)</u>	<u>(887,092)</u>
Nonoperating Revenues and Expenses:			
County taxes	1,421,696	1,282,244	1,283,702
Investment income	6,003	13,911	38,054
Noncapital grants and contributions	30,133	30,317	40,479
Interest expense	(156,603)	(76,839)	(98,982)
Other nonoperating revenues and expenses, net	<u>(12,472)</u>	<u>--</u>	<u>(5,272)</u>
	<u>1,288,757</u>	<u>1,249,633</u>	<u>1,257,981</u>
Excess of Revenues Over Expenses Before Capital Grants and Contributions	242,372	712,904	370,889
Capital Grants and Contributions	<u>761,621</u>	<u>158,840</u>	<u>327,847</u>
Increase in net assets	1,003,993	871,744	698,736
Net Assets Beginning of Year	<u>8,836,332</u>	<u>7,964,588</u>	<u>7,265,852</u>
Net Assets End of Year	<u>\$ 9,840,325</u>	<u>\$ 8,836,332</u>	<u>\$ 7,964,588</u>

GUTHRIE COUNTY HOSPITAL
Management's Discussion and Analysis - Continued

OPERATING LOSSES

The first component of the overall change in the Hospital's net assets is its operating loss - generally, the difference between net patient service revenues and the expenses incurred to perform those services. In each of the past three years, the Hospital has reported an operating loss. This is consistent with the Hospital's entire operating history. The Hospital's operations were begun in 1951 as a county hospital, when it was agreed that a portion of its costs would be subsidized by property tax revenues, making the facility more affordable for the County's lower income residents. In the current fiscal year operating losses have increased.

Management's goal in 2011 was to continue the effort to increase the volume of patients treated while positioning the hospital and clinics to capture a greater portion of the Guthrie County health care market. Efforts continued to make the community more aware of the services provided at the Hospital.

In 2011 significant time and money investments were made to continue the process of positioning the Hospital to be more competitive in the primary and secondary health care market. The addition of Dr. Wahl at the beginning of the year enabled us to introduce orthopedics to the area.

During calendar year 2007, we completed the additions in Pharmacy, Radiology and the Emergency Department. Each of these additions has had a positive response from the community.

The Operating Room addition and Rehab and Education additions were both completed in February, 2009. These additions have had a positive response from the community.

In May 2010, we completed construction of the 4 new Patient Room addition. This addition along with the new Medical Office building that was completed in July 2010 allowed us to expand our services into orthopedics.

The primary components of these increased operating losses were:

An increase in net operating revenues of \$1,342,000 or 12.7%, coupled with an increase in operating expenses of \$1,851,000 or 16.7%.

Increases in salary and benefit costs for the Hospital's employees (\$637,200 or 8.6% in 2011 and \$803,300 or 12.2% in 2010). This increase is due to the continued adjustments made in salaries to match market conditions and to increases in health insurance costs.

GUTHRIE COUNTY HOSPITAL
Management's Discussion and Analysis - Continued

NON-OPERATING REVENUES AND EXPENSES

Non-operating revenues consist primarily of property taxes levied by the Hospital, interest income reported as investment earnings, and non capital grants and contributions.

The Hospital's Non-operating Revenues and Expenses increased by \$39,124 comparing fiscal 2011 versus 2010. Interest expense increased by \$79,764 as a result of the 2009 Bond issue.

GRANTS, CONTRIBUTIONS, AND ENDOWMENTS

The Hospital actively seeks contributions through its Foundation and continues to explore applicable grant opportunities. During 2011, the Hospital was awarded a three year Broadband Technology Opportunities Program (BTOP) grant. The Hospital received \$670,621 from the BTOP grant in 2011. The Hospital also received \$91,000 from the Foundation in 2011 as compared to \$158,840 in 2010.

THE HOSPITAL'S CASH FLOW

Changes in the Hospital's cash flows are consistent with changes in operating losses and non-operating revenues and expenses, as discussed earlier. Cash flows used in operating activities for 2011 were \$446,932. Comparatively, for fiscal 2010, cash flows used in operating activities were \$506,695, a net change of \$59,763.

BUDGETARY HIGHLIGHTS

The official county budget of the Hospital for the year ended June 30, 2011 was prepared on the modified accrual basis. Actual budget basis revenues were lower than the budgeted amount of \$14,450,432 by \$351,050 or about 2.4 percent. Actual expenditures were lower than budgeted expenditures. Actual budget basis expenditures were \$13,087,041 as compared to budgeted expenditures of \$14,152,800, a difference of \$1,065,759 or about 7.5 percent.

GUTHRIE COUNTY HOSPITAL
Management's Discussion and Analysis - Continued

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets:

During the fiscal year, the Hospital made capital investments totaling \$1,785,464. The following table, Table 3, presents a list of significant capital items:

Table 3
Capital Investments

<u>Capital Investments</u>	<u>Vendor</u>	<u>Department</u>	<u>2011 Cost</u>
Medical Office Building	Various	Medical Office	\$ 888,991
Nurse Call System	CEC	Nursing	191,695
Endoscopy Equipment	Stryker Endoscopy	Operating Room	107,382
Misc Equipment	Stryker Instruments	Operating Room	96,116

Capital assets for the years ended June 30, 2011, 2010, and 2009 are shown in the following table, Table 4:

Table 4
Capital Assets

	<u>2011</u>	<u>2010</u>	<u>2009</u>
Land and land improvements	\$ 1,233,274	\$ 1,110,421	\$ 458,551
Buildings	10,613,019	9,652,220	8,157,269
Fixed equipment	1,970,543	1,722,312	1,560,083
Major movable equipment	<u>4,741,325</u>	<u>3,697,583</u>	<u>3,303,897</u>
Subtotal	18,558,161	16,182,536	13,479,800
Less accumulated depreciation	7,528,133	6,693,946	5,907,814
Construction in progress	<u>40,114</u>	<u>838,392</u>	<u>563,874</u>
Net capital assets	<u>\$ 11,070,142</u>	<u>\$ 10,326,982</u>	<u>\$ 8,135,860</u>

Net capital assets increased as the Hospital has upgraded existing facilities and equipment. The Hospital is also in the process of building new space to accommodate increasing outpatient services. See discussion in the section titled CURRENTLY KNOWN FACTS.

GUTHRIE COUNTY HOSPITAL
Management's Discussion and Analysis - Continued

Debt:

At year-end, the Hospital had \$4,507,500 in short-term and long-term debt. The total debt amount increased by \$1,590,000 in fiscal year 2011. More detailed information about the Hospital's long-term liabilities is presented in the notes to the basic financial statements.

Total debt outstanding represents approximately 26.6% of the Hospital's total assets at June 30, 2011.

CURRENTLY KNOWN FACTS

At the time these financial statements were prepared and audited, the Hospital was beginning the process of opening a clinic in Stuart, Iowa. The project is mainly being funded by the 2009 Bond issue.

CONTACTING THE HOSPITAL'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, customers and creditors with a general overview of the Hospital's finances and to demonstrate the Hospital's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Hospital Administration.

GUTHRIE COUNTY HOSPITAL
Balance Sheets
June 30,

ASSETS

	<u>2011</u>	<u>2010</u>
Current Assets:		
Cash	\$ 1,228,512	\$ 398,618
Patient receivables, less allowances for doubtful accounts and for contractual adjustments (\$467,900 in 2011, \$421,100 in 2010)	1,461,186	1,242,396
Other receivables	470,178	23,957
Inventory	294,031	206,368
Prepaid expense	144,225	115,649
Other current assets	23,128	19,465
Estimated third-party payor settlements	413,000	213,000
Succeeding year property tax receivable	1,430,000	1,372,000
Internally designated assets	<u>243,116</u>	<u>242,882</u>
Total current assets	5,707,376	3,834,335
Designated and Restricted Assets:		
Internally designated assets	725	672
Restricted assets	<u>242,391</u>	<u>242,210</u>
	243,116	242,882
Less amounts required to meet current liabilities	<u>243,116</u>	<u>242,882</u>
	--	--
Capital Assets:		
Depreciable capital assets, net	10,927,348	9,390,910
Non-depreciable capital assets	<u>142,794</u>	<u>936,072</u>
	11,070,142	10,326,982
Deferred Financing Costs	68,820	77,168
Notes Receivable	<u>100,000</u>	<u>50,000</u>
Total assets	<u>\$ 16,946,338</u>	<u>\$ 14,288,485</u>

The accompanying notes are an integral part of these statements.

LIABILITIES AND NET ASSETS

	<u>2011</u>	<u>2010</u>
Current Liabilities:		
Current maturities of long-term debt	\$ 510,000	\$ 510,000
Accounts payable	601,593	635,694
Accrued employee compensation	538,470	497,069
Payroll taxes withheld and accrued	28,450	29,890
Deferred revenue for succeeding year property tax receivable	<u>1,430,000</u>	<u>1,372,000</u>
Total current liabilities	3,108,513	3,044,653
Long-Term Debt:		
Note payable, less current maturities	37,500	67,500
Revenue bonds, less current maturities	<u>3,960,000</u>	<u>2,340,000</u>
Total long-term debt	<u>3,997,500</u>	<u>2,407,500</u>
Total liabilities	7,106,013	5,452,153
Net Assets:		
Invested in capital assets, net of related debt	6,319,184	7,003,926
Restricted - expendable	242,931	242,210
Unrestricted	<u>3,278,210</u>	<u>1,590,196</u>
Total net assets	<u>9,840,325</u>	<u>8,836,332</u>
 Total liabilities and net assets	 <u>\$ 16,946,338</u>	 <u>\$ 14,288,485</u>

GUTHRIE COUNTY HOSPITAL
Statements of Revenues, Expenses and Changes in Net Assets
Year ended June 30,

	<u>2011</u>	<u>2010</u>
Revenue:		
Net patient service revenue	\$ 11,690,655	\$ 10,355,628
Other revenue	<u>201,746</u>	<u>194,951</u>
Total revenue	11,892,401	10,550,579
Expenses:		
Nursing service	2,948,305	2,219,306
Other professional service	4,252,765	4,046,249
Physician services	1,253,239	771,093
General service	1,294,000	1,245,219
Fiscal and administrative service	2,152,297	2,012,349
Provision for depreciation	1,029,832	790,331
Amortization	<u>8,348</u>	<u>2,761</u>
Total expenses	<u>12,938,786</u>	<u>11,087,308</u>
Operating Loss	(1,046,385)	(536,729)
Non-Operating Revenues (Expenses):		
County taxes	1,421,696	1,282,244
Investment income	6,003	13,911
Noncapital grants and contributions	30,133	30,317
Loss on disposal of property and equipment	(12,472)	--
Interest expense	<u>(156,603)</u>	<u>(76,839)</u>
Non-operating revenues, net	<u>1,288,757</u>	<u>1,249,633</u>
Excess of Revenues Over Expenses Before Capital Grants and Contributions	242,372	712,904
Capital Grants and Contributions	<u>761,621</u>	<u>158,840</u>
Increase in Net Assets	1,003,993	871,744
Net Assets Beginning of Year	<u>8,836,332</u>	<u>7,964,588</u>
Net Assets End of Year	<u>\$ 9,840,325</u>	<u>\$ 8,836,332</u>

The accompanying notes are an integral part of these statements.

GUTHRIE COUNTY HOSPITAL
Statements of Cash Flows
Year ended June 30,

	<u>2011</u>	<u>2010</u>
Cash flows from operating activities:		
Cash received from patients and third-party payors	\$ 11,200,109	\$ 9,618,285
Cash paid to suppliers	(5,946,924)	(4,812,179)
Cash paid to employees	(5,901,863)	(5,507,752)
Other revenue	201,746	194,951
Net cash used in operating activities	(446,932)	(506,695)
Cash flows from non-capital financing activities:		
County tax revenue	1,421,696	1,282,244
Noncapital grants and contributions	<u>30,133</u>	<u>30,317</u>
Net cash provided by non-capital financing activities	1,451,829	1,312,561
Cash flows from capital and related financing activities:		
Capital grants and contributions	387,156	158,840
Capital expenditures	(1,729,447)	(277,534)
Construction in progress expenditures	(217,083)	(2,592,664)
Principal paid on long-term debt	(510,000)	(190,000)
Proceeds from revenue bonds	2,100,000	1,100,000
Interest paid	(161,398)	(86,231)
Deferred financing costs paid	<u>--</u>	<u>(47,486)</u>
Net cash used in capital and related financing activities	(130,772)	(1,935,075)
Cash flows from investing activities:		
Investment income	6,003	13,911
Change in notes receivable	(50,000)	(27,500)
Change in designated and restricted assets	<u>(1,398)</u>	<u>(107,070)</u>
Net cash used in investing activities	(45,395)	(120,659)
Net increase (decrease) in cash and cash equivalents	828,730	(1,249,868)
Cash and cash equivalents at beginning of year	<u>400,718</u>	<u>1,650,586</u>
Cash and cash equivalents at end of year	<u>\$ 1,229,448</u>	<u>\$ 400,718</u>
Reconciliation of cash and cash equivalents to the balance sheets:		
Cash and cash equivalents in current assets	\$ 1,228,512	\$ 398,618
Cash and cash equivalents in designated and restricted assets	<u>936</u>	<u>2,100</u>
Total cash and cash equivalents	<u>\$ 1,229,448</u>	<u>\$ 400,718</u>

(continued next page)

GUTHRIE COUNTY HOSPITAL
Statements of Cash Flows - Continued
Year ended June 30,

	<u>2011</u>	<u>2010</u>
Reconciliation of operating loss to net cash used in operating activities:		
Operating loss	\$(1,046,385)	\$(536,729)
Adjustments to reconcile operating loss to net cash used in operating activities		
Depreciation	1,029,832	790,331
Salaries and wages capitalized	(4,585)	--
Amortization	8,348	2,761
Change in assets and liabilities		
Accounts receivable	(290,546)	(80,343)
Inventory	(87,663)	(9,254)
Prepaid expense	(28,576)	(19,486)
Other current assets	(3,663)	8,025
Estimated third-party payor settlements	(200,000)	(657,000)
Accounts payable, trade	136,345	(44,525)
Accrued employee compensation	41,401	38,064
Payroll taxes withheld and accrued	(1,440)	1,461
Total adjustments	<u>599,453</u>	<u>30,034</u>
Net cash used in operating activities	<u><u>\$(446,932)</u></u>	<u><u>\$(506,695)</u></u>

The accompanying notes are an integral part of these statements.

GUTHRIE COUNTY HOSPITAL
Notes to Financial Statements
June 30, 2011 and 2010

NOTE A - REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES

1. Reporting Entity

Guthrie County Hospital (the Hospital) is a critical access county hospital with related healthcare ancillary and outpatient services. The Hospital is organized under Chapter 347 of the Code of Iowa, accordingly is a political subdivision of the State of Iowa, and is therefore exempt from federal and state income taxes. It is governed by a seven member board of trustees elected for six year terms. The Hospital has considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the Hospital are such that exclusion would cause the Hospital's financial statements to be misleading or incomplete. The criteria for determining financial accountability include: appointing a majority of an organization's governing body, and (a) the Hospital's ability to impose its will on that organization, or (b) the potential for the organization to provide benefits to or impose financial burdens on the Hospital. The Hospital has identified one component unit: Guthrie County Hospital Foundation (the Foundation). Substantially all of the economic resources of the Foundation are designated for the direct benefit of the Hospital. The Hospital received \$91,000 in capital contributions from the Foundation during the year ended June 30, 2011 (\$157,315 in 2010). Blending of the Foundation with the Hospital would result in an increase in total net assets of approximately \$117,000 (\$139,000 in 2010) and a decrease in the change in net assets of approximately \$22,000 (\$63,000 decrease in 2010) for the year ended June 30, 2011.

2. Enterprise Fund Accounting

The Hospital uses enterprise fund accounting. Revenues and expenses are recognized on the accrual basis using the economic resources measurement focus. Based on Governmental Accounting Standards Board (GASB) Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, as amended, the Hospital has elected to apply the provisions of all relevant pronouncements of the Financial Accounting Standards Board (FASB), that do not conflict with or contradict GASB pronouncements.

3. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

4. Cash and Cash Equivalents

Cash and cash equivalents include investments in highly liquid debt instruments with an original maturity of three months or less, including designated and restricted assets.

GUTHRIE COUNTY HOSPITAL
Notes to Financial Statements
June 30, 2011 and 2010

NOTE A - REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES - Continued

5. Inventory Valuation

Inventory is valued at the lower of cost (first-in, first-out method) or market.

6. Investments

Investments are reported at fair value except for short-term highly liquid investments that have a remaining maturity at the time they are purchased of one year or less. These investments are carried at amortized cost. Interest, dividends, and gains and losses, both realized and unrealized, on investments are included in non-operating revenue when earned, unless restricted by donor or law.

7. Capital Assets

The Hospital's capital assets are reported at historical cost. Contributed capital assets are reported at their estimated fair value at the time of their donation. Capital assets with lives in excess of two years and cost in excess of \$5,000 are capitalized. These capital assets, other than land, are depreciated or amortized (in the case of capital leases) using the straight-line method of depreciation using their estimated useful lives (fifteen to forty years for buildings and land improvements and three to twenty years for equipment).

8. Costs of Borrowing

Except for capital assets acquired through gifts, contributions, or capital grants, interest cost on borrowed funds during the period of construction of capital assets is capitalized as a component of the cost of acquiring those assets. The Hospital capitalized \$4,795 of interest cost in 2011 and \$9,392 in 2010.

9. Compensated Absences

Hospital employees earn vacation days at varying rates depending on years of service. Vacation time accumulates to a maximum of 150% of an employee's annual vacation time earned. Any excess accumulated over the maximum is to be used within 90 days. Certain employees have been allowed to accrue more than the maximum allowed vacation because these employees are unable to use their vacation due to their departments being understaffed. The computed amount of vacation benefits earned by year end is recorded as part of accrued employee compensation.

10. Operating Revenues and Expenses

The Hospital's statement of revenues, expenses and changes in net assets distinguishes between operating and non-operating revenues and expenses. Operating revenues result from exchange transactions associated with providing health care services - the Hospital's principal activity. Nonexchange revenues, including taxes, grants, and contributions received for purposes other than capital asset acquisition, are reported as non-operating revenues. Operating expenses are all expenses incurred to provide health care services, other than financing costs.

GUTHRIE COUNTY HOSPITAL
Notes to Financial Statements
June 30, 2011 and 2010

NOTE A - REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES - Continued

11. Net Patient Service Revenue

The Hospital has agreements with third-party payors that provide for payments to the Hospital at amounts different from its established rates. Payment arrangements include prospectively determined rates per discharge, reimbursed costs, discounted charges, and per diem payments. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

12. Property Tax Levy

Property tax receivable is recognized on the levy or lien date, which is the date that the tax asking is certified by the County Board of Supervisors. The succeeding year property tax receivable represents taxes certified by the Board of Supervisors to be collected in the next fiscal year for the purposes set out in the budget for that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred and will not be recognized as revenue until the year for which it is levied. Property tax revenue is reported as non-operating revenue when collected by the County Treasurer.

13. Grants and Contributions

Revenues from grants and contributions (including contributions of capital assets) are recognized when all eligibility requirements, including time requirements are met. Grants and contributions may be restricted for either specific operating purposes or for capital purposes. Amounts that are unrestricted or that are restricted to a specific operating purpose are reported as non-operating revenues. Amounts restricted to capital acquisitions are reported after non-operating revenues and expenses.

14. Restricted Resources

Use of restricted or unrestricted resources for individual projects is determined by the Hospital Board of Trustees based on the facts regarding each specific situation.

15. Net Assets

Net assets of the Hospital are classified in three components. *Net assets invested in capital assets net of related debt* consist of capital assets net of accumulated depreciation and reduced by the current balances of any outstanding borrowings used to finance the purchase or construction of those assets. *Restricted net assets* are noncapital net assets that must be used for a particular purpose or permanent endowments, as specified by creditors, grantors, or contributors external to the Hospital. *Unrestricted net assets* are remaining net assets that do not meet the definition of *invested in capital assets net of related debt or restricted*.

GUTHRIE COUNTY HOSPITAL
Notes to Financial Statements
June 30, 2011 and 2010

NOTE A - REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES - Continued

16. Charity Care

The Hospital provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Revenue from services to these patients is automatically recorded in the accounting system at the established rates, but the Hospital does not pursue collection of the amounts. The resulting adjustments are recorded as bad debts or charity service depending on the timing of the charity determination.

NOTE B - THIRD-PARTY PAYOR ARRANGEMENTS

A summary of the payment arrangements with major third-party payors follows:

Medicare and Medicaid - Inpatient services and most outpatient services related to program beneficiaries are paid based on a cost reimbursement methodology. The Hospital is reimbursed for the cost of services at a tentative rate with final settlement determined after submission of annual cost reports by the Hospital and audits thereof by the fiscal intermediaries. The Hospital's Medicare and Medicaid cost reports have been audited and finalized by the fiscal intermediaries through June 30, 2009. However, finalized cost reports are subject to re-opening by the intermediaries within three years after the date of finalization. Outpatient services not paid based on a cost reimbursement methodology are paid based on a prospectively determined fee schedule.

The Hospital also has entered into payment agreements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations. The basis for payment to the Hospital under these agreements includes prospectively determined rates per discharge, discounts from established charges, and prospectively determined daily rates.

NOTE C - RESTRICTED NET ASSETS

Restricted expendable net assets are available for the following purposes:

	<u>2011</u>	<u>2010</u>
Long-term debt	\$ 241,695	\$ 240,219
Purchase of property and equipment	<u>696</u>	<u>1,991</u>
	<u>\$ 242,391</u>	<u>\$ 242,210</u>

The Hospital has no restricted non-expendable net assets or endowments at June 30, 2011 or 2010.

GUTHRIE COUNTY HOSPITAL
Notes to Financial Statements
June 30, 2011 and 2010

NOTE C - RESTRICTED NET ASSETS - Continued

Following is a summary of the use of temporarily restricted net assets during the year ended June 30:

	<u>2011</u>	<u>2010</u>
Purchase of property and equipment	\$ <u>762,916</u>	\$ <u>157,315</u>

NOTE D - DESIGNATED NET ASSETS

Of the \$3,278,210 (\$1,590,196 as of June 30, 2010) of unrestricted net assets as of June 30, 2011, \$725 (\$672 for 2010) has been designated by the Hospital's Board of Trustees for capital acquisitions. These assets remain under the control of the Board of Trustees, which may, at its discretion, later use the funds for other purposes.

NOTE E - DEPOSITS AND INVESTMENTS

The Hospital's deposits at June 30, 2011 were entirely covered by federal depository insurance or the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to ensure there will be no loss of public funds. Investments are stated as indicated in Note A.

The Hospital is authorized by statute to invest public funds in obligations of the United States Government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Trustees; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The composition of designated and restricted assets is as follows:

	<u>2011</u>	<u>2010</u>
Internally Designated Assets:		
Cash and cash equivalents	\$ 240	\$ 109
GNMA pool	<u>485</u>	<u>563</u>
	<u>\$ 725</u>	<u>\$ 672</u>
Restricted Assets:		
Certificates of deposit	\$ 241,695	\$ 240,219
Cash and cash equivalents	<u>696</u>	<u>1,991</u>
	<u>\$ 242,391</u>	<u>\$ 242,210</u>

GUTHRIE COUNTY HOSPITAL
Notes to Financial Statements
June 30, 2011 and 2010

NOTE E - DEPOSITS AND INVESTMENTS - Continued

The Hospital's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) in instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days but the maturities shall be consistent with the needs and use of the Hospital.

NOTE F - ACCOUNTS RECEIVABLE AND CONCENTRATION OF CREDIT RISK

The Hospital grants credit without collateral to its patients, most of whom are local residents and are insured under third-party payor agreements. The mix of receivables from patients and third-party payors at June 30, 2011 and 2010, was as follows:

	<u>2011</u>	<u>2010</u>
Receivable from:		
Patients	\$ 367,943	\$ 363,361
Medicare	977,519	724,777
Medicaid	68,776	36,318
Blue Cross	262,211	190,262
Other commercial insurance carriers	<u>252,637</u>	<u>348,778</u>
	1,929,086	1,663,496
Less allowances for doubtful accounts and contractual adjustments	<u>467,900</u>	<u>421,100</u>
	<u>\$ 1,461,186</u>	<u>\$ 1,242,396</u>

GUTHRIE COUNTY HOSPITAL
Notes to Financial Statements
June 30, 2011 and 2010

NOTE G - CAPITAL ASSETS

Capital assets, additions, disposals and balances for the years ended June 30, 2011 and 2010 were as follows:

<u>Cost</u>	<u>Balance 2010</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance 2011</u>
Land Improvements	\$ 1,012,741	\$ 118,607	\$ 754	\$ 1,130,594
Buildings	9,652,220	960,799	--	10,613,019
Fixed Equipment	1,722,312	293,485	45,254	1,970,543
Major Movable Equipment	<u>3,697,583</u>	<u>1,205,851</u>	<u>162,109</u>	<u>4,741,325</u>
	16,084,856	2,578,742	208,117	18,455,481
<u>Depreciation</u>				
Land Improvements	286,445	67,233	754	352,924
Buildings	3,116,073	390,000	--	3,506,073
Fixed Equipment	931,596	133,837	44,532	1,020,901
Major Movable Equipment	<u>2,359,832</u>	<u>438,762</u>	<u>150,359</u>	<u>2,648,235</u>
Total Depreciation	<u>6,693,946</u>	<u>1,029,832</u>	<u>195,645</u>	<u>7,528,133</u>
Total Depreciable Capital Assets, Net	<u>\$ 9,390,910</u>	<u>\$1,548,910</u>	<u>\$ 12,472</u>	<u>\$ 10,927,348</u>
Construction in Progress	\$ 838,392	\$ 281,975	\$1,080,253	\$ 40,114
Land	<u>97,680</u>	<u>5,000</u>	<u>--</u>	<u>102,680</u>
Total Non-Depreciable Capital Assets	<u>\$ 936,072</u>	<u>\$ 286,975</u>	<u>\$1,080,253</u>	<u>\$ 142,794</u>

GUTHRIE COUNTY HOSPITAL
Notes to Financial Statements
June 30, 2011 and 2010

NOTE G - CAPITAL ASSETS - Continued

<u>Cost</u>	<u>Balance 2009</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance 2010</u>
Land Improvements	\$ 398,525	\$ 614,216	\$ --	\$ 1,012,741
Buildings	8,157,269	1,494,951	--	9,652,220
Fixed Equipment	1,560,083	166,428	4,199	1,722,312
Major Movable Equipment	<u>3,303,897</u>	<u>393,686</u>	<u>--</u>	<u>3,697,583</u>
	13,419,774	2,669,281	4,199	16,084,856
<u>Depreciation</u>				
Land Improvements	224,486	61,959	--	286,445
Buildings	2,797,064	319,009	--	3,116,073
Fixed Equipment	817,006	118,789	4,199	931,596
Major Movable Equipment	<u>2,069,258</u>	<u>290,574</u>	<u>--</u>	<u>2,359,832</u>
Total Depreciation	<u>5,907,814</u>	<u>790,331</u>	<u>4,199</u>	<u>6,693,946</u>
Total Depreciable Capital Assets, Net	<u>\$ 7,511,960</u>	<u>\$1,878,950</u>	<u>\$ --</u>	<u>\$ 9,390,910</u>
Construction in Progress	\$ 563,874	\$2,476,860	\$2,202,342	\$ 838,392
Land	<u>60,026</u>	<u>37,654</u>	<u>--</u>	<u>97,680</u>
Total Non-Depreciable Capital Assets	<u>\$ 623,900</u>	<u>\$2,514,514</u>	<u>\$2,202,342</u>	<u>\$ 936,072</u>

NOTE H - NON-CURRENT LIABILITIES

A schedule of changes in the Hospital's non-current liabilities for the years ended June 30, 2011 and 2010 follows:

	<u>Balance 2010</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 2011</u>	<u>Current Portion</u>
Long-Term Debt:					
Rural Economic Development Loan	\$ 97,500	\$ --	\$ 30,000	\$ 67,500	\$ 30,000
Series 2006 Revenue Bonds	1,720,000	--	160,000	1,560,000	160,000
Series 2009 Revenue Bonds	<u>1,100,000</u>	<u>2,100,000</u>	<u>320,000</u>	<u>2,880,000</u>	<u>320,000</u>
Total Non-Current Liabilities	<u>\$2,917,500</u>	<u>\$2,100,000</u>	<u>\$ 510,000</u>	<u>\$4,507,500</u>	<u>\$ 510,000</u>

GUTHRIE COUNTY HOSPITAL
Notes to Financial Statements
June 30, 2011 and 2010

NOTE H - NON-CURRENT LIABILITIES - Continued

	<u>Balance</u> <u>2009</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>2010</u>	<u>Current</u> <u>Portion</u>
Long-Term Debt:					
Rural Economic Development Loan	\$ 127,500	\$ --	\$ 30,000	\$ 97,500	\$ 30,000
Series 2006 Revenue Bonds	1,880,000	--	160,000	1,720,000	160,000
Series 2009 Revenue Bonds	<u>--</u>	<u>1,100,000</u>	<u>--</u>	<u>1,100,000</u>	<u>320,000</u>
Total Non-Current Liabilities	<u>\$2,007,500</u>	<u>\$1,100,000</u>	<u>\$ 190,000</u>	<u>\$2,917,500</u>	<u>\$ 510,000</u>

In September, 2008, the Hospital borrowed \$150,000 through the Guthrie County Rural Electric Cooperative under the Rural Economic Development Loan and Grant Program. The loan is non-interest bearing and is payable in twenty equal quarterly installments. The loan is collateralized by the Hospital's net revenues.

The Series 2006 Hospital Revenue Bonds were issued in May, 2006 in a principal amount up to \$2,200,000. The bonds carry an interest rate of 4.00% per annum through September 30, 2012. On September 30, 2012 and again on September 30, 2015 and 2018, the rate will be adjusted to 0.50% over the "constant maturity" index of the three year U.S. Treasury Note rate in effect on those dates, provided however, that no adjusted interest rate shall be 2% higher or lower than the immediately preceding adjusted interest rate and no adjusted interest rate shall exceed 8% per annum or be less than 4% per annum. The bonds mature in quarterly installments of principal in the amount of \$40,000 plus interest. The bonds are payable from and secured by a lien on net revenues of the Hospital.

The Series 2009 Hospital Revenue Bonds were issued in September, 2009 in a principal amount up to \$3,200,000. By June 30, 2011, the entire \$3,200,000 had been drawn by the Hospital. The bonds carry an interest rate of 4.00% per annum through September 30, 2012. On September 30, 2012 and again on September 30, 2015 and 2018, the rate will be adjusted to 0.50% over the "constant maturity" index of the three year U.S. Treasury Note rate in effect on those dates, provided however, that no adjusted interest rate shall be 2% higher or lower than the immediately preceding adjusted interest rate and no adjusted interest rate shall exceed 8% per annum or be less than 4% per annum. The bonds mature in quarterly installments of principal in the amount of \$80,000 plus interest. The bonds are payable from and secured by a lien on net revenues of the Hospital.

The combined annual debt service on the loan and bonds is expected to require less than 40% of cash flow available for debt service. For the current year, debt service and cash flow available for debt service were approximately \$671,000 and \$2,199,000, respectively.

GUTHRIE COUNTY HOSPITAL
Notes to Financial Statements
June 30, 2011 and 2010

NOTE H - NON-CURRENT LIABILITIES - Continued

Under the terms of the bond resolutions, the Hospital is required to maintain certain deposits with a bank. Such deposits are included with restricted assets in the financial statements. The bond resolution also places limits on the incurrence of additional borrowings and requires that the Hospital satisfy certain measures of financial performance as long as the notes are outstanding. The Hospital is subject to a prepayment penalty of 3% of the unpaid principal balance if such prepayment is on or before the first interest rate adjustment date.

Scheduled principal and interest repayments on long-term debt are as follows:

Year Ending June 30,	Long-Term Debt		Total
	Principal	Interest	
2012	\$ 510,000	\$ 170,422	\$ 680,422
2013	510,000	151,222	661,222
2014	487,500	132,022	619,522
2015	480,000	112,822	592,822
2016	480,000	93,622	573,622
2017-2020	<u>2,040,000</u>	<u>184,888</u>	<u>2,224,888</u>
	<u>\$ 4,507,500</u>	<u>\$ 844,998</u>	<u>\$ 5,352,498</u>

NOTE I - EMPLOYEE RETIREMENT AND DEFINED BENEFIT PENSION PLAN

The Hospital contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 4.50% (5.38% beginning July 1, 2011) of their annual salary and the Hospital is required to contribute 6.95% (8.07% beginning July 1, 2011) of annual covered payroll. Contribution requirements are established by State statute. The Hospital's contributions to IPERS for the years ended June 30, 2011, 2010, and 2009, were approximately \$402,400, \$365,000, and \$311,100, respectively, equal to the required contributions for each year.

GUTHRIE COUNTY HOSPITAL
Notes to Financial Statements
June 30, 2011 and 2010

NOTE J - COMMITMENTS AND CONTINGENCIES

Other Post Employment Benefits (OPEB)

Plan Description: As required by state law, the Hospital offers health insurance to former employees who have retired after age 55, but have not reached Medicare eligibility. The fully insured plan is a part of the plan offered to all Hospital employees, and the retiree must pay a health insurance premium equal to that charged for current employees. There are approximately 93 active employees and 3 retirees currently covered by the plan.

Potential for Liability: A review of the Hospital's current and potential future exposure to this requirement resulted in the conclusion that no material liability exists. Therefore no liability has been recorded.

Note Payable

The Hospital has entered into an agreement with the Guthrie County Rural Electric Cooperative Association (the cooperative) under the Rural Economic Development Loan and Grant Program. Under the terms of the agreement, \$183,050 was advanced to the Hospital through a non-interest bearing note, payable in 40 equal quarterly installments through June, 2013. Through a separate agreement, the Hospital subsequently loaned the \$183,050 to Little Panther Daycare (the daycare) to be used for the construction of a daycare facility in Panora, Iowa. This note receivable from the daycare is also non-interest bearing. It is payable in 120 equal monthly installments through June, 2013 and is secured by a mortgage agreement on the daycare's assets. The note receivable from the daycare is further guaranteed by three area businesses who each separately entered into agreements with the Hospital guaranteeing 25% of the total amount owed by the daycare to the Hospital after the sale of collateral. The offsetting note receivable and note payable of \$35,084 at June 30, 2011 (\$54,915 at June 30, 2010) have not been recorded on the Hospital's balance sheet.

Risk Management

The Hospital is insured by a claims-made policy for protection against liability claims resulting from professional services provided or which should have been provided. Management believes that the malpractice insurance coverage is adequate to cover all asserted and any unasserted claims, therefore no related liability has been accrued. Guthrie County Hospital is exposed to various other common business risks for which it is covered by commercial insurance. Settled claims from these risks have not exceeded insurance coverage during the past three fiscal years.

Notes Receivable

The notes receivable represent funds advanced under an agreement with a healthcare professional who began practicing in the community in August, 2010. The agreement includes commitments by the healthcare professional to provide medical services in the community for a specified period of years. In exchange for the commitments of time and services, the Hospital will forgive the notes over the term of the commitments.

GUTHRIE COUNTY HOSPITAL
Notes to Financial Statements
June 30, 2011 and 2010

NOTE J - COMMITMENTS AND CONTINGENCIES - Continued

Construction in Progress

The \$40,114 in construction in progress at June 30, 2011 is related to various smaller projects for which no material commitments exist as of the date of this report.

Equipment Lease

During the year ended June 30, 2011, the Hospital entered into a capital lease agreement for equipment. The equipment is not scheduled to be delivered and installed until sometime during the year ending June 30, 2012. The agreement calls for monthly payments of \$10,253 for sixty months.

Subsequent Events

The Hospital has evaluated all subsequent events through September 21, 2011, the date the financial statements were available to be issued.

* * *

REQUIRED SUPPLEMENTARY INFORMATION

GUTHRIE COUNTY HOSPITAL
Budgetary Comparison Schedule
Year Ended June 30, 2011

The budgetary comparison is presented as Required Supplementary Information in accordance with Government Auditing Standards. In accordance with the Code of Iowa, the Board of Trustees annually adopts a budget following required public notice and hearings. The annual budget may be amended during the year utilizing similar statutorily-prescribed procedures. The following is a reconciliation between reported amounts and the modified accrual basis used to prepare the budget. The adjustments result from accounting for interest, amortization, and net assets differently for financial statement and budget purposes.

	Per Financial Statements		
	Unrestricted Fund	Restricted Fund	Total
Amount raised by taxation	\$ 1,421,696	\$ --	\$ 1,421,696
Other revenues	12,430,083	91,000	12,521,083
Transfers in (out)	92,295	(92,295)	--
	<u>13,944,074</u>	<u>(1,295)</u>	<u>13,942,779</u>
Expenses	<u>12,938,786</u>	<u>--</u>	<u>12,938,786</u>
Net	1,005,288	(1,295)	1,003,993
Balance beginning of year	<u>8,834,341</u>	<u>1,991</u>	<u>8,836,332</u>
Balance end of year	<u>\$ 9,839,629</u>	<u>\$ 696</u>	<u>\$ 9,840,325</u>

	Total Per Financial Statements	Budget Adjustments	Budget Basis	Adopted Budget
Amount raised by taxation	\$ 1,421,696	\$ --	\$ 1,421,696	\$ 1,371,786
Other revenues	<u>12,521,083</u>	<u>156,603</u>	<u>12,677,686</u>	<u>13,078,646</u>
	<u>13,942,779</u>	<u>156,603</u>	<u>14,099,382</u>	<u>14,450,432</u>
Expenses	<u>12,938,786</u>	<u>148,255</u>	<u>13,087,041</u>	<u>14,152,800</u>
Net	1,003,993	8,348	1,012,341	297,632
Balance beginning of year	<u>8,836,332</u>	<u>(505,847)</u>	<u>8,330,485</u>	<u>8,330,485</u>
Balance end of year	<u>\$ 9,840,325</u>	<u>\$ (497,499)</u>	<u>\$ 9,342,826</u>	<u>\$ 8,628,117</u>

See Independent Auditor's Report.

SUPPLEMENTARY INFORMATION

GUTHRIE COUNTY HOSPITAL
Patient Receivables
June 30,

Analysis of Aging:

<u>Days Since Discharge</u>	<u>2011</u>		<u>2010</u>	
	<u>Amount</u>	<u>Percent To Total</u>	<u>Amount</u>	<u>Percent To Total</u>
In hospital - 30	\$ 1,339,537	69%	\$ 1,079,736	65%
31 - 60	254,098	13	327,070	20
61 - 90	162,270	9	93,435	6
91 - 150	84,151	4	64,273	4
151 - 180	9,438	1	24,103	1
181 and over	79,592	4	74,879	4
	<u>1,929,086</u>	<u>100%</u>	<u>1,663,496</u>	<u>100%</u>
Allowance for doubtful accounts	150,900		144,100	
Allowance for contractual adjustments	<u>317,000</u>		<u>277,000</u>	
	<u>\$ 1,461,186</u>		<u>\$ 1,242,396</u>	

Allowance for Doubtful Accounts:

	<u>Year ended June 30,</u>	
	<u>2011</u>	<u>2010</u>
Balance, beginning	\$ 144,100	\$ 137,500
Provision for bad debts	521,532	372,908
Recoveries of accounts previously written off	<u>243,575</u>	<u>264,653</u>
	909,207	775,061
Accounts written off	<u>758,307</u>	<u>630,961</u>
Balance, ending	<u>\$ 150,900</u>	<u>\$ 144,100</u>

See Independent Auditor's Report.

GUTHRIE COUNTY HOSPITAL
Inventory/Prepaid Expense
June 30,

	<u>2011</u>	<u>2010</u>
<u>Inventory</u>		
Medical and surgical supplies	\$ 132,695	\$ 51,866
Laboratory	38,733	28,364
Pharmacy	103,384	106,919
Other	<u>19,219</u>	<u>19,219</u>
	<u>\$ 294,031</u>	<u>\$ 206,368</u>
 <u>Prepaid Expense</u>		
Insurance	\$ 16,932	\$ 9,279
Service contracts and dues	<u>127,293</u>	<u>106,370</u>
	<u>\$ 144,225</u>	<u>\$ 115,649</u>

See Independent Auditor's Report.

GUTHRIE COUNTY HOSPITAL
Patient Service Revenue
Year ended June 30,

	<u>2011</u>	
	<u>Inpatient</u>	<u>Outpatient</u>
Daily Patient Services:		
Medical, surgical and obstetric	\$ 1,135,070	\$ --
Swing bed	--	--
	<u>1,135,070</u>	<u>--</u>
Other Nursing Services:		
Cardiac rehabilitation	--	139,897
Operating and recovery rooms	112,228	814,674
Emergency room	147,756	693,399
Central services and supply	348,500	144,609
Intravenous therapy	50,786	45,099
Observation	<u>60,017</u>	<u>219,719</u>
	719,287	2,057,397
Other Professional Services:		
Emergency room professional	41,031	303,579
Laboratory	330,892	2,027,027
Blood	19,128	28,727
Electrocardiology	21,791	85,029
Radiology	59,383	426,742
CT scan	151,299	968,537
Ultrasound	18,171	239,741
Mammography	--	279,035
Nuclear imaging	--	27,210
MRI	18,667	450,419
Pharmacy	308,828	629,149
Anesthesia	35,175	151,925
Respiratory therapy	296,652	173,245
Speech therapy	886	5,203
Physical therapy	54,273	871,713
Occupational therapy	5,873	104,636
Outpatient clinics	110	68,713
Diabetic education	--	16,803
Hospice	--	--
Clinic professional fees	--	--
Surgery professional fees	--	--
	<u>1,362,159</u>	<u>6,857,433</u>
	<u>\$ 3,216,516</u>	<u>\$ 8,914,830</u>

See Independent Auditor's Report.

2011			2010
Swing Bed	Physician Services	Total	Total
\$ --	\$ --	\$ 1,135,070	\$ 997,777
<u>395,192</u>	<u>--</u>	<u>395,192</u>	<u>378,222</u>
395,192	--	1,530,262	1,375,999
--	--	139,897	122,126
5,620	--	932,522	829,168
1,926	--	843,081	770,855
29,971	--	523,080	181,168
19,701	--	115,586	103,218
<u>--</u>	<u>--</u>	<u>279,736</u>	<u>287,859</u>
57,218	--	2,833,902	2,294,394
--	--	344,610	362,820
112,805	17,109	2,487,833	2,392,991
7,316	--	55,171	52,883
2,051	--	108,871	82,619
14,227	--	500,352	443,333
24,886	--	1,144,722	1,410,719
5,302	--	263,214	265,002
--	--	279,035	113,089
--	--	27,210	17,441
6,688	--	475,774	395,711
288,765	30,837	1,257,579	1,110,083
651	--	187,751	125,421
320,123	--	790,020	772,648
6,120	--	12,209	52,151
139,759	--	1,065,745	836,451
31,212	--	141,721	189,977
--	--	68,823	57,513
--	--	16,803	14,116
20,774	--	20,774	14,700
--	573,787	573,787	529,769
<u>--</u>	<u>267,951</u>	<u>267,951</u>	<u>--</u>
980,679	889,684	10,089,955	9,239,437
<u>\$ 1,433,089</u>	<u>\$ 889,684</u>	<u>\$ 14,454,119</u>	<u>\$ 12,909,830</u>

GUTHRIE COUNTY HOSPITAL
Revenue and Related Adjustments
Year ended June 30,

	<u>2011</u>	<u>2010</u>
<u>Net Patient Service Revenue</u>		
Patient service revenue	\$ 14,454,119	\$ 12,909,830
Contractual adjustments	(2,218,350)	(2,119,415)
Provision for bad debts	(521,532)	(372,908)
Charity care	<u>(23,582)</u>	<u>(61,879)</u>
	<u>\$ 11,690,655</u>	<u>\$ 10,355,628</u>
<u>Other Revenue</u>		
Dietary revenue	\$ 28,886	\$ 25,168
Congregate meals	50,673	54,399
Ancillary service coverage revenue	23,204	21,716
Outpatient clinic rental	35,875	30,744
Fitness center	53,196	49,606
Wellness revenue	2,840	2,180
Pharmacy student income	1,500	5,000
Miscellaneous income	<u>5,572</u>	<u>6,138</u>
	<u>\$ 201,746</u>	<u>\$ 194,951</u>

See Independent Auditor's Report.

GUTHRIE COUNTY HOSPITAL
Nursing Service Expenses
Year ended June 30,

	<u>2011</u>	<u>2010</u>
Administrative:		
Salaries and wages	\$ 96,411	\$ 84,141
Employee benefits	19,126	16,972
Supplies and other expense	<u>3,608</u>	<u>1,217</u>
	119,145	102,330
Medical, Surgical and Obstetric:		
Salaries and wages	973,261	923,208
Employee benefits	330,859	299,014
Supplies and other expense	<u>161,322</u>	<u>151,913</u>
	1,465,442	1,374,135
Cardiac Rehabilitation:		
Salaries and wages	69,385	70,182
Employee benefits	11,414	14,943
Supplies and other expense	<u>12,435</u>	<u>4,312</u>
	93,234	89,437
Operating and Recovery Rooms:		
Salaries and wages	137,805	72,786
Employee benefits	34,577	20,288
Purchased services	17,225	25,935
Professional fees	4,000	--
Supplies and other expense	<u>96,472</u>	<u>79,787</u>
	290,079	198,796
Emergency Room:		
Salaries and wages	255,746	194,689
Employee benefits	82,743	56,814
Supplies and other expense	<u>87,873</u>	<u>80,314</u>
	426,362	331,817

(continued next page)

GUTHRIE COUNTY HOSPITAL
Nursing Service Expenses - Continued
Year ended June 30,

	<u>2011</u>	<u>2010</u>
Central Services and Supply:		
Salaries and wages	\$ 85,856	\$ 68,202
Employee benefits	40,465	33,915
Supplies and other expense	<u>423,176</u>	<u>17,089</u>
	549,497	119,206
Intravenous Therapy:		
Supplies and other expense	<u>4,546</u>	<u>3,585</u>
	<u>\$ 2,948,305</u>	<u>\$ 2,219,306</u>

SUMMARY

Salaries and wages	\$ 1,618,464	\$ 1,413,208
Employee benefits	519,184	441,946
Professional fees	4,000	--
Supplies and other expense	<u>806,657</u>	<u>364,152</u>
	<u>\$ 2,948,305</u>	<u>\$ 2,219,306</u>

See Independent Auditor's Report.

GUTHRIE COUNTY HOSPITAL
Other Professional Service Expenses
Year ended June 30,

	<u>2011</u>	<u>2010</u>
Emergency Room Professional:		
Salaries and wages	\$ 667,729	\$ 675,108
Employee benefits	127,317	121,512
Professional fees	<u>17,616</u>	<u>44,789</u>
	812,662	841,409
Laboratory:		
Salaries and wages	236,080	243,683
Employee benefits	80,012	86,198
Professional fees	1,444	2,188
Supplies and other expense	<u>310,429</u>	<u>292,736</u>
	627,965	624,805
Blood:		
Blood	36,643	33,073
Supplies and other expense	<u>140</u>	<u>--</u>
	36,783	33,073
Electrocardiology:		
Salaries and wages	5,796	4,736
Employee benefits	1,320	1,165
Supplies and other expense	<u>1,650</u>	<u>973</u>
	8,766	6,874
Radiology:		
Salaries and wages	204,083	199,729
Employee benefits	58,165	54,147
Supplies and other expense	<u>90,662</u>	<u>102,359</u>
	352,910	356,235
CT Scan:		
Salaries and wages	14,303	18,391
Employee benefits	3,670	4,242
Supplies and other expense	<u>118,889</u>	<u>121,632</u>
	136,862	144,265
Ultrasound:		
Salaries and wages	6,151	6,982
Employee benefits	2,444	2,688
Supplies and other expense	<u>54,611</u>	<u>48,670</u>
	63,206	58,340

(continued next page)

GUTHRIE COUNTY HOSPITAL
Other Professional Service Expenses - Continued
Year ended June 30,

	<u>2011</u>	<u>2010</u>
Mammography:		
Salaries and wages	\$ 10,631	\$ 6,604
Employee benefits	2,896	1,780
Supplies and other expense	<u>15,536</u>	<u>12,956</u>
	29,063	21,340
Nuclear Imaging:		
Supplies and other expense	12,633	8,582
MRI:		
Supplies and other expense	68,201	53,315
Pharmacy:		
Salaries and wages	283,696	280,845
Employee benefits	80,745	76,362
Professional fees	3,364	33,636
Drugs	348,124	234,228
Supplies and other expense	<u>22,395</u>	<u>23,952</u>
	738,324	649,023
Anesthesia:		
Professional fees	148,290	115,740
Supplies and other expense	<u>1,893</u>	<u>1,202</u>
	150,183	116,942
Respiratory Therapy:		
Salaries and wages	125,749	108,201
Employee benefits	24,016	22,408
Oxygen, supplies and other expense	<u>62,889</u>	<u>69,665</u>
	212,654	200,274
Speech Therapy:		
Professional fees	8,525	34,170
Physical Therapy:		
Salaries and wages	302,063	233,589
Employee benefits	107,509	80,134
Supplies and other expense	<u>22,839</u>	<u>18,950</u>
	432,411	332,673
Occupational Therapy:		
Professional fees	44,200	61,260
Supplies and other expense	<u>533</u>	<u>288</u>
	44,733	61,548

(continued next page)

GUTHRIE COUNTY HOSPITAL
Other Professional Service Expenses - Continued
Year ended June 30,

	<u>2011</u>	<u>2010</u>
Medical Records:		
Salaries and wages	\$ 172,901	\$ 204,795
Employee benefits	74,877	79,097
Supplies and other expense	<u>39,299</u>	<u>56,309</u>
	287,077	340,201
Social Services:		
Salaries and wages	26,066	26,221
Employee benefits	10,436	9,654
Supplies and other expense	<u>637</u>	<u>512</u>
	37,139	36,387
Outpatient Clinics:		
Salaries and wages	65,287	29,104
Employee benefits	15,126	7,945
Supplies and other expense	<u>13,868</u>	<u>5,105</u>
	94,281	42,154
Fitness Center:		
Salaries and wages	40,223	37,681
Employee benefits	14,683	13,121
Supplies and other expense	<u>10,878</u>	<u>10,041</u>
	65,784	60,843
Diabetic Education:		
Salaries and wages	26,432	18,885
Employee benefits	4,781	3,671
Supplies and other expense	<u>1,390</u>	<u>1,240</u>
	<u>32,603</u>	<u>23,796</u>
	<u>\$ 4,252,765</u>	<u>\$ 4,046,249</u>

SUMMARY

Salaries and wages	\$ 2,187,190	\$ 2,094,554
Employee benefits	607,997	564,124
Professional fees	223,439	291,783
Supplies and other expense	<u>1,234,139</u>	<u>1,095,788</u>
	<u>\$ 4,252,765</u>	<u>\$ 4,046,249</u>

See Independent Auditor's Report.

GUTHRIE COUNTY HOSPITAL
Physician Services Expenses
Year ended June 30,

	<u>2011</u>	<u>2010</u>
Physician Service:		
Salaries and wages	\$ 329,538	\$ 320,421
Employee benefits	62,147	59,247
Supplies and other expense	<u>20,106</u>	<u>12,860</u>
	411,791	392,528
Nursing Service:		
Salaries and wages	111,459	107,999
Employee benefits	46,695	36,835
Medical supplies	26,021	23,552
Supplies and other expense	<u>7,775</u>	<u>4,611</u>
	191,950	172,997
Business Office:		
Salaries and wages	99,327	99,935
Employee benefits	46,080	37,950
Supplies and other expense	<u>46,493</u>	<u>36,862</u>
	191,900	174,747
Occupancy Costs:		
Rent	5,541	4,825
Utilities	<u>30,420</u>	<u>25,996</u>
	35,961	30,821
Surgery Services:		
Salaries and wages	44,645	--
Employee benefits	16,409	--
Professional fees	283,955	--
Supplies and other expense	<u>76,628</u>	<u>--</u>
	421,637	--
	<u>\$ 1,253,239</u>	<u>\$ 771,093</u>

SUMMARY

Salaries and wages	\$ 584,969	\$ 528,355
Employee benefits	171,331	134,032
Professional fees	283,955	--
Supplies and other expense	<u>212,984</u>	<u>108,706</u>
	<u>\$ 1,253,239</u>	<u>\$ 771,093</u>

See Independent Auditor's Report.

GUTHRIE COUNTY HOSPITAL
General Service Expenses
Year ended June 30,

	<u>2011</u>	<u>2010</u>
Dietary:		
Salaries and wages	\$ 168,352	\$ 166,962
Employee benefits	99,500	84,018
Food	116,327	106,915
Supplies and other expense	<u>30,568</u>	<u>27,014</u>
	414,747	384,909
Operation of Plant:		
Salaries and wages	231,500	222,522
Employee benefits	58,011	56,283
Electricity	141,576	119,828
Gas	84,373	96,388
Supplies and other expense	<u>120,296</u>	<u>123,806</u>
	635,756	618,827
Housekeeping:		
Salaries and wages	129,991	120,633
Employee benefits	60,854	71,494
Supplies and other expense	<u>31,730</u>	<u>32,242</u>
	222,575	224,369
Laundry and Linen:		
Purchased services	19,999	15,299
Supplies and other expense	<u>923</u>	<u>1,815</u>
	<u>20,922</u>	<u>17,114</u>
	<u>\$ 1,294,000</u>	<u>\$ 1,245,219</u>

SUMMARY

Salaries and wages	\$ 529,843	\$ 510,117
Employee benefits	218,365	211,795
Supplies and other expense	<u>545,792</u>	<u>523,307</u>
	<u>\$ 1,294,000</u>	<u>\$ 1,245,219</u>

See Independent Auditor's Report.

GUTHRIE COUNTY HOSPITAL
Fiscal and Administrative Service Expenses
Year ended June 30,

	<u>2011</u>	<u>2010</u>
Fiscal and Administrative:		
Salaries and wages	\$ 669,874	\$ 628,078
Employee benefits	199,859	193,435
Advertising	48,173	47,034
Telephone	28,274	25,753
Supplies and minor equipment	30,975	38,614
Collection expense	41,989	53,798
Computer maintenance	57,524	50,575
Education and meetings	3,975	7,899
Professional fees	77,436	93,673
Printing and postage	6,554	8,497
Purchased services	76,009	43,375
Dues and subscriptions	15,219	15,559
	<u>1,255,861</u>	<u>1,206,290</u>
Admissions Office:		
Salaries and wages	100,950	124,394
Employee benefits	66,816	60,371
Supplies and other expense	8,000	9,205
	<u>175,766</u>	<u>193,970</u>
Information Systems:		
Salaries and wages	141,064	120,203
Employee benefits	42,479	36,145
Supplies and other expense	68,833	38,676
	<u>252,376</u>	<u>195,024</u>
Employee Welfare:		
Salaries and wages	106,325	126,907
Employee benefits	32,366	36,247
Group health and life benefit	88,650	74,468
Workers' compensation insurance	89,733	61,624
Unemployment expense	8,699	5,454
Supplies and other expense	49,436	30,947
	<u>375,209</u>	<u>335,647</u>
Insurance:		
Liability and property insurance	93,085	81,418
	<u>\$ 2,152,297</u>	<u>\$ 2,012,349</u>

(continued next page)

GUTHRIE COUNTY HOSPITAL
Fiscal and Administrative Service Expenses - Continued
Year ended June 30,

	<u>2011</u>	<u>2010</u>
<u>SUMMARY</u>		
Salaries and wages	\$ 1,018,213	\$ 999,582
Employee benefits	578,038	498,691
Professional fees	77,436	93,673
Supplies and other expense	<u>478,610</u>	<u>420,403</u>
	<u>\$ 2,152,297</u>	<u>\$ 2,012,349</u>

<u>SUMMARY OF EXPENSES</u>		
Salaries and wages	\$ 5,938,679	\$ 5,545,816
Employee benefits	2,094,915	1,850,588
Professional fees	588,830	385,456
Supplies and other expense	<u>3,278,182</u>	<u>2,512,356</u>
	<u>\$ 11,900,606</u>	<u>\$ 10,294,216</u>

See Independent Auditor's Report.

GUTHRIE COUNTY HOSPITAL
Schedule of Expenditures of Federal Awards
Year ended June 30, 2011

<u>Federal Grantor/Pass-through Grantor/Program Title</u>	<u>CFDA Number</u>	<u>Grant or Program Number</u>
U.S. Department of Commerce		
Indirect Program		
Central Iowa Hospital Corporation		
ARRA-Broadband Technology Opportunities		
Program	11.557	19-43-B10575
U.S. Department of Health and Human Services		
Indirect Programs		
Iowa Department of Public Health		
Small Rural Hospital Improvement Grant Program	93.301	5881SH29
National Bioterrorism Hospital Preparedness		
Program	93.889	5880BHP71
National Bioterrorism Hospital Preparedness		
Program	93.889	5881BHP71
Total U.S. Department of Health and Human		
Services		
Total Expenditures of Federal Awards		

Basis of Presentation - The Schedule of Expenditures of Federal Awards includes the federal grant activity of Guthrie County Hospital, and is presented on the accrual basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

See accompanying independent auditor's report.

<u>Period of Grant</u>	<u>Federal Expenditures</u>
09/01/10 to 08/31/13	\$ 682,477
10/01/10 to 08/31/11	7,405
08/09/09 to 07/30/10	3,083
07/01/10 to 06/30/11	<u>7,789</u>
	10,872
	<u>18,277</u>
	<u>\$ 700,754</u>

GUTHRIE COUNTY HOSPITAL
Comparative Statistics
Year ended June 30,

	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Acute Care:					
Admissions	409	363	357	280	316
Discharges	407	363	356	283	317
Patient days	1,197	1,046	1,033	810	919
Average length of stay	2.94	2.88	2.90	2.86	2.90
Average occupied beds	3.3	2.9	2.8	2.2	2.5
Swing Bed Program:					
Admissions	182	162	160	120	127
Discharges	182	161	163	117	128
Patient days	1,156	1,128	1,180	737	799
Combined Average Occupied Beds	6.4	6.0	6.1	4.2	4.7
Outpatient Occasions of Service	34,368	31,555	30,356	29,492	26,402

See Independent Auditor's Report.

GUTHRIE COUNTY HOSPITAL
Comparative Balance Sheets
June 30,

	<u>2011</u>	<u>2010</u>
Current Assets:		
Cash	\$ 1,228,512	\$ 398,618
Patient receivables, net	1,461,186	1,242,396
Other receivables	470,178	23,957
Inventory	294,031	206,368
Prepaid expense	144,225	115,649
Other current assets	23,128	19,465
Estimated third-party payor settlements	413,000	213,000
Succeeding year property tax receivable	1,430,000	1,372,000
Internally designated assets	<u>243,116</u>	<u>242,882</u>
Total current assets	5,707,376	3,834,335
Other Assets:		
Designated and restricted assets, net	--	--
Capital assets, net	11,070,142	10,326,982
Deferred financing costs	68,820	77,168
Notes receivable	<u>100,000</u>	<u>50,000</u>
Total other assets	<u>11,238,962</u>	<u>10,454,150</u>
Total assets	<u>\$ 16,946,338</u>	<u>\$ 14,288,485</u>
Current Liabilities:		
Current maturities of long-term debt	\$ 510,000	\$ 510,000
Accounts payable	601,593	635,694
Accrued expenses	566,920	526,959
Estimated third-party payor settlements	--	--
Accrued interest	--	--
Deferred revenue for succeeding year property tax receivable	<u>1,430,000</u>	<u>1,372,000</u>
Total current liabilities	3,108,513	3,044,653
Long-Term Debt, Net	<u>3,997,500</u>	<u>2,407,500</u>
Total liabilities	7,106,013	5,452,153
Net Assets	<u>9,840,325</u>	<u>8,836,332</u>
Total liabilities and net assets	<u>\$ 16,946,338</u>	<u>\$ 14,288,485</u>

See Independent Auditor's Report.

<u>2009</u>	<u>2008</u>	<u>2007</u>
\$ 1,426,524	\$ 749,607	\$ 463,003
1,167,168	1,424,981	1,215,436
18,842	18,257	24,590
197,114	201,612	163,866
96,163	67,738	62,795
27,490	22,526	22,761
--	180,000	58,500
1,250,400	1,241,200	1,156,100
<u>357,774</u>	<u>342,040</u>	<u>317,476</u>
4,541,475	4,247,961	3,484,527
--	810,990	--
8,135,860	6,207,903	5,241,914
32,443	35,204	37,506
<u>22,500</u>	<u>--</u>	<u>--</u>
8,190,803	7,054,097	5,279,420
<u>\$ 12,732,278</u>	<u>\$ 11,302,058</u>	<u>\$ 8,763,947</u>
\$ 190,000	\$ 194,772	\$ 262,000
578,356	286,642	307,614
487,434	433,474	385,071
444,000	--	--
--	118	435
<u>1,250,400</u>	<u>1,241,200</u>	<u>1,156,100</u>
2,950,190	2,156,206	2,111,220
<u>1,817,500</u>	<u>1,880,000</u>	<u>474,242</u>
4,767,690	4,036,206	2,585,462
<u>7,964,588</u>	<u>7,265,852</u>	<u>6,178,485</u>
<u>\$ 12,732,278</u>	<u>\$ 11,302,058</u>	<u>\$ 8,763,947</u>

GUTHRIE COUNTY HOSPITAL
Comparative Statements of Revenues, Expenses and Changes in Net Assets
Year ended June 30,

	<u>2011</u>	<u>2010</u>
Patient Service Revenue	\$ 14,454,119	\$ 12,909,830
Adjustments to Patient Service Revenue	<u>(2,763,464)</u>	<u>(2,554,202)</u>
Net Patient Service Revenue	11,690,655	10,355,628
Other Revenue	<u>201,746</u>	<u>194,951</u>
Total Revenue	11,892,401	10,550,579
Expenses	<u>12,938,786</u>	<u>11,087,308</u>
Operating Loss	(1,046,385)	(536,729)
Non-Operating Revenues, Net	<u>1,288,757</u>	<u>1,249,633</u>
Excess of Revenues Over Expenses Before Capital Grants and Contributions	242,372	712,904
Capital Grants and Contributions	<u>761,621</u>	<u>158,840</u>
Increase in Net Assets	<u>\$ 1,003,993</u>	<u>\$ 871,744</u>

See Independent Auditor's Report.

<u>2009</u>	<u>2008</u>	<u>2007</u>
\$ 12,402,605	\$ 11,878,840	\$ 10,436,866
<u>(3,213,286)</u>	<u>(3,160,389)</u>	<u>(2,569,052)</u>
9,189,319	8,718,451	7,867,814
<u>198,102</u>	<u>193,380</u>	<u>212,791</u>
9,387,421	8,911,831	8,080,605
<u>10,274,513</u>	<u>9,280,271</u>	<u>8,499,470</u>
(887,092)	(368,440)	(418,865)
<u>1,257,981</u>	<u>1,205,807</u>	<u>1,335,818</u>
370,889	837,367	916,953
<u>327,847</u>	<u>250,000</u>	<u>30,500</u>
<u>\$ 698,736</u>	<u>\$ 1,087,367</u>	<u>\$ 947,453</u>

COMMENTS AND RECOMMENDATIONS

Gronewold, Bell, Kyhnn & Co. P.C.

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Independent Auditor's Report on Internal Control over Financial Reporting
and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in Accordance with
Government Auditing Standards

To the Board of Trustees
Guthrie County Hospital
Guthrie Center, Iowa

We have audited the financial statements of Guthrie County Hospital as of and for the year ended June 30, 2011, and have issued our report thereon dated September 21, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Guthrie County Hospital's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of Guthrie County Hospital's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Hospital's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses, and, therefore, there can be no assurance all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the Hospital's financial statements will not be prevented or detected and corrected on a timely basis.

To the Board of Trustees
Guthrie County Hospital

A significant deficiency is a deficiency or combination of deficiencies in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in Part II of the accompanying Schedule of Findings and Questioned Costs as item 11-II-A to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Guthrie County Hospital's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the Hospital's operations for the year ended June 30, 2011 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the Hospital. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Guthrie County Hospital's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the Hospital's responses, we did not audit the Hospital's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and constituents of Guthrie County Hospital and other parties to whom the Hospital may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

Diamond, Bell, Kuhn + Co. P.C.

Atlantic, Iowa
September 21, 2011

Gronewold, Bell, Kyhnn & Co. P.C.

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Independent Auditor's Report on Compliance
with Requirements That Could Have a Direct and Material Effect on
Each Major Program and on Internal Control over Compliance
In Accordance With OMB Circular A-133

To the Board of Trustees
Guthrie County Hospital
Guthrie Center, Iowa

Compliance

We have audited the compliance of Guthrie County Hospital, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to its major federal program for the year ended June 30, 2011. Guthrie County Hospital's major federal program is identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to its major federal program is the responsibility of Guthrie County Hospital's management. Our responsibility is to express an opinion on Guthrie County Hospital's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States and OMB Circular A-133, Audits of States, Local Governments and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Guthrie County Hospital's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Guthrie County Hospital's compliance with those requirements.

In our opinion, Guthrie County Hospital, complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2011.

To the Board of Trustees
Guthrie County Hospital

Internal Control Over Compliance

The management of Guthrie County Hospital is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing our audit, we considered Guthrie County Hospital's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Guthrie County Hospital's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in the Hospital's internal control over compliance that might be significant deficiencies or material weaknesses, and, therefore, there can be no assurance all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified a deficiency in internal control over compliance we consider to be a significant deficiency.

A deficiency in the Hospital's internal control over compliance exists when the design or operation of a control over that compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct non-compliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material non-compliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item 11-III-A to be a significant deficiency.

Guthrie County Hospital's response to the findings identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. While we expressed our conclusion on the Hospital's response, we did not audit Guthrie County Hospital's response and, accordingly, we express no opinion on it.

This report, a public record by law, is intended solely for the information and use of the officials, employees and constituents of Guthrie County Hospital, and other parties to whom the Hospital may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

Deaneville, Bell, Kuylen - W. P. C.

Atlantic, Iowa
September 21, 2011

GUTHRIE COUNTY HOSPITAL
Schedule of Findings and Questioned Costs
Year ended June 30, 2011

Part I: Summary of the Independent Auditor's Results:

- (a) A qualified opinion was issued on the financial statements.
- (b) A significant deficiency in internal control over financial reporting was disclosed by the audit of the financial statements.
- (c) The audit did not disclose any noncompliance which is material to the financial statements.
- (d) A significant deficiency in internal control over the major program was disclosed by the audit of the financial statements.
- (e) An unqualified opinion was issued on compliance with requirements applicable to the major program.
- (f) The audit disclosed an audit finding which was required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) The major program was:
 - Department of Commerce - Broadband Technology Opportunities Program
 - CFDA Number #11.557 - ARRA
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Guthrie County Hospital did not qualify as a low-risk auditee.

GUTHRIE COUNTY HOSPITAL
Schedule of Findings and Questioned Costs
Year ended June 30, 2011

Part II: Findings Related to the Financial Statements:

INSTANCES OF NONCOMPLIANCE:

There were no instances of noncompliance noted for the year ended June 30, 2011.

SIGNIFICANT DEFICIENCIES:

11-II-A Segregation of Duties: A limited number of people have the primary responsibility for most of the accounting and financial duties. As a result, some of those aspects of internal accounting control which rely upon an adequate segregation of duties are, for all practical purposes, missing in the Hospital. This deficiency is common among most small rural hospitals.

Recommendation: We recognize that it may not be economically feasible for the Hospital to employ additional personnel for the sole purpose of segregating duties, however, it is our professional responsibility to bring this control deficiency to your attention. We recommend that the Board be aware of the lack of segregation of duties and that they act as an oversight group to the accounting personnel.

Response: The Board is aware of this lack of segregation of duties, but it is not economically feasible for the Hospital to employ additional personnel for this reason. The Board will continue to act as an oversight group.

Conclusion: Response accepted.

* * *

GUTHRIE COUNTY HOSPITAL

Schedule of Findings and Questioned Costs

Year ended June 30, 2011

Part III: Findings and Questioned Costs For Federal Awards:

INSTANCES OF NONCOMPLIANCE:

There were no instances of noncompliance noted for the year ended June 30, 2011.

SIGNIFICANT DEFICIENCIES:

CFDA Number 11.557 - Broadband Technology Opportunities Program
Pass-through Numbers: 19-43-B10575

Federal Award Year: 2011
U.S. Department of Commerce
Passed through the Central Iowa Hospital Corporation

- 11-III-A Segregation of Duties over Federal Revenues and Expenditures - The Hospital did not properly segregate custody, record-keeping and reconciling functions for revenues and expenditures, including those related to Federal programs. See audit finding 11-II-A.

* * *

GUTHRIE COUNTY HOSPITAL

Schedule of Findings and Questioned Costs

Year ended June 30, 2011

Part IV: Other Findings Related to Required Statutory Reporting:

11-IV-A Certified Budget - Hospital expenditures during the year ended June 30, 2011 did not exceed the amount budgeted.

11-IV-B Questionable Expenditures - During the audit, we noted a certain expenditure approved in the Board minutes that may not meet the requirements of public purpose as defined in the Attorney General's opinion dated April 25, 1979. The expense was as follows:

<u>Paid to</u>	<u>Purpose</u>	<u>Amount</u>
Various Organizations	Employee recognition banquet	\$ 2,242

Recommendation: We recommend that the Board continue to document the public purpose of such an expenditure before authorization is given.

Response: The expenditure is considered part of the employee benefit package and the Board feels it meets the requirements of public purpose as defined by the Attorney General's opinion dated April 25, 1979.

Conclusion: Response accepted.

11-IV-C Travel Expense - No expenditures of Hospital money for travel expenses of spouses of Hospital officials or employees were noted.

11-IV-D Business Transactions - No business transactions between the Hospital and Hospital officials or employees were noted.

11-IV-E Board Minutes - No transactions requiring Board approval were noted which had not been approved.

11-IV-F Deposits and Investments - No instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the Hospital's investment policy were noted.

* * *